

**FEDERAL ACCOUNTING STANDARDS ADVISORY BOARD**

**Draft Minutes  
June 18-19, 2002  
Room 6N30  
441 G Street NW  
Washington, DC 20548**

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## ***Tuesday, June 18, 2002***

### **Administrative Matters**

- **Attendance**

The following members were present: Chairman Mosso, Messrs. Calder, Farrell, Kull, Patton, Reid, and Winter

- **Acknowledgement of Mr. Winter's Outstanding Service**

Chairman Mosso noted that this would be Mr. Winter's final meeting with the Board. He acknowledged Mr. Winter's substantial contribution to the work of the Board and thanked him for his outstanding service.

- **Rules of Procedure**

The members reviewed draft rules of procedure provided by staff. The rules would be presented again in at the August meeting with the Board's suggested revisions.

Board members suggested that (1) the structure of the document be revised because of confusion regarding rules for exposure drafts and final documents and (2) dissents be included in the final published documents rather than being made available upon request.

**Action Item:** The rules will be revised as described above and presented for Board review at the August meeting.

- **New Business: Disclosure required by SFFAS 7**

A Board member distributed a statement of an issue for consideration. He said FASAB should deal with it quickly. An excerpt follows:

...SFFAS No. 7 requires agencies to disclose information about the status of budgetary resources explaining -- any material differences between the information required by paragraph 77 (total budgetary resources, status of resources, and outlays—set forth in the SBR) and the amounts described as “actual” in the Budget of the United States Government<sup>1</sup>...

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<sup>1</sup> Par. 77 of SFFAS No. 7 states: The budget is the primary financial planning and control tool of the government. For this reason, and because of the importance of this information to users of federal financial information, the following material budgetary information should be presented by reporting entities whose financing comes wholly or partially from the budget: a) total budgetary resources available to the reporting entity during the period; b) the status of those resources (including “obligations incurred”); c) outlays.

Par. 79g requires “explanations of any material differences between the information required by paragraph 77 and the amounts described as “actual” in the Budget of the United States Government.

Problems:

- 1) Since the President's budget won't be issued until early February 2003, Treasury and IRS will not be able to comply with the requirement.
- 2) Consider effect of non-compliance on auditor's opinion.
- 3) In future periods (2004) all CFO agencies will face this problem.
- 4) What, if any, actions should FASAB take to address some provisions of SFFAS No. 7 for which no agency will be able to comply with in 2 years?

A member noted that budget figures are never really final; most transactions are posted by mid-October, but additional changes come in later. Another member noted that the CFOC committee is finding other problems that need to be addressed to permit expedited financial reporting.

**Action Item:** Staff committed to researching options for resolving this issue in a timely manner.

## **Agenda Topics**

- **Fiduciary Funds**

The staff explained its proposal to split the Dedicated Collections project into two inter-related parts: (1) fiduciary collections and (2) other dedicated collections, to clarify the issues and make the project more manageable. The staff presented preliminary definitions and project plans for fiduciary collections and other dedicated collections.

With respect to fiduciary funds, the Board discussed the use of the terms "fiduciary funds" versus "fiduciary collections." The former is not parallel to the other part of the project that uses "collections" as its subject. The term "fund" pertains to an accounting entity. The project will define the two types of collections and base the accounting on the nature of the collection. The Board discussed the need to address the collection or revenue issues as well as the asset or fund balance issues.

The Board discussed the appropriateness of the term "fiduciary." One member was concerned that it might overstate the nature of the relationship, since "fiduciary" has a private sector connotation. He said another term might be better. The staff explained that GASB uses the term in a similar way, that the term has many meanings in the private sector as well, and that a precise definition would be developed for this project. A member said that the objective of the dedicated collection project is to clarify "fiduciary," "trust funds," etc., for the public, whether that is done in a definition or the accounting. Another member said he would prefer using a term like fiduciary that was in common usage, with any necessary distinctions being made, rather than inventing new terminology. There was concern that using a common term with a different meaning would be misleading. The term "private trust funds" was suggested. Another member said the use of the term "property rights" might be a problem because it asked accountants to make legal decisions, even though that is a frequent issue in accounting. For example, the Indians are still litigating their property rights.

A member said the Board needed to look at the ownership of the assets. The current staff definition, for example, would seem to include the gasoline tax going to the Highway Trust Fund, and he did not think that that was the outcome being sought.

The Chairman said that for him the critical line is between collections that create a liability and collections that do not. Another member agreed. The Board discussed whether the current FASAB definition of a liability would be sturdy enough to bear that weight.

A member said that there would be two hurdles: (1) does a collection meet the definition of a liability and (2) does it pass the "reality" or representational faithfulness test.

The Board discussed the distinction between an exchange and a non-exchange transaction in the FASAB definition of a liability. The staff explained that that distinction separated federal employee pension liabilities, which are considered deferred compensation and therefore exchange transactions, from social insurance transactions that are considered non-exchange transactions, with reporting outside the balance sheet. A member said that that distinction did not address a situation where the government withholds money from employees for taxes or Thrift Savings Fund contribution that creates a liability for the government but is not an exchange transaction.

**Action Items:** The Board approved the fiduciary collection project plan and directed the staff to continue developing the definition and issues.

- **Dedicated Collections**

Ms. Palmer described the material provided to the Board, and explained that the definition developed by staff for dedicated collections was based on the concept of "special accountability" embedded in the current standard. Several Board members indicated their preference for the definition (a) presented in the issue paper, which would include all earmarked funds under Dedicated Collections. The definition under discussion was that "all government-owned collections dedicated by law to a specific fund for a specific purpose or program." One Board member suggested that he would prefer to see the reference to a specific fund eliminated because he believes that a bond of trust can be created even for funds that are not in a specific fund. Several Board members agreed and discussed possible earmarked revenues that might go into the general fund and would still constitute a promise.

Staff suggested that this aspect of the issue, whether or not only those collections in a specific fund would be considered Dedicated Collections, should be considered in the next steps of the project.

The Board members discussed the difficulty of accounting for revenues that were not deposited to a specific fund. One problem mentioned was that fees collected for a license, for example, would be statutorily established and would meet the definition of a dedicated collection. A Board member responded that collections such as fees and reimbursements might be excluded. However, in later discussion several Board members indicated that they did believe that fees could also constitute a promise, for

example park service fees that it might be assumed were going to be used for improvement of the park.

The point was also made that it could be very difficult for an agency to segregate funds in such a way as to report them as Dedicated Collections, although a Board Member noted that all collections are warranted/appropriated by treasury symbol and can be tracked. Although several Board members made the point that the fund itself served a purpose, making it clear that the collections were for a specific purpose, one Board member questioned whether the funds really mattered, when in fact they were simply one kind of mechanism, among others, used to distribute funds where they were needed. The Board also discussed whether funds are always established by Congress or whether an Agency could administratively create a fund.

Ms. Comes raised the question as to whether the Board only wanted to look at collections as there are some funds that receive funding through the general appropriation process. Payments financed by appropriations are deposited to a fund such as the Civil Service Retirement System. These funds finance liabilities arising from exchange transactions and are therefore quite different from funds financed by taxes dedicated to a specific purpose unrelated to the exchange of goods or services. A Board member pointed out that, just as they were looking at fiduciary resources as well as fiduciary collections, the Board might need to look at dedicated resources as well as dedicated collections. Staff noted that the follow-on project plan calls for (1) determining if sub-categories of dedicated collections present different accounting implications, (2) determining whether programs that receive general revenues create similar accounting issues and (3) evaluating a selection of the programs against the liability standard. The general consensus of the Board was that the project plan appears to address its concerns. One Board member noted that it would be important to have the two definitions, for fiduciary collections and dedicated collections, define the universe not only for the two collections but for other collections as well. He wanted to ensure that the definitions mirror a comprehensive structure for government collections. Another Board member noted that a Treasury definition already exists for government-owned/non-government-owned funds and the Board should see whether those definitions are helpful.

**Action Item:** The staff will offer a status report at the August meeting and will provide the Board with issues and options for its October meeting.

- **National Defense PP&E – Comment Letters**

Staff distributed 3 handouts to the Board members and their staff. They were: 1) a copy of comment letters 19 and 20, which were received by staff after binders for the Board meeting had been sent to the Board; 2) an excerpt from the March 2002 ED, *Eliminating the Category National Defense Property, Plant, and Equipment*, which presented paragraphs 9 through 13; and, 3) a revised Basis for Conclusions, which was based on comments from a Board member after his review of the draft proposed Statement enclosed in the meeting binders that were sent to the Board.

Staff referred the Board members to a list of concerns from respondents on page 2 of Tab C in their binder. Staff explained that it believed the Board members had already addressed the issues raised by the respondents in their comment letters. However, if there was anything in the comment letters that caused them to change their minds or if there were other issues based on the Board's review of the comment letters then staff was inclined to discuss them before discussing the draft proposed Statement. Board members did not introduce discussion on either the list of concerns or new concerns.

One Board member had noted that he had asked staff to inquire about the AICPA Accounting Standards Executive Committee's (AcSEC) project on component accounting. Staff replied that the AcSEC had received over 400 comment letters on its ED for a proposed Statement of Position (SOP) on Accounting for Certain Costs and Activities Related to Property, Plant, and Equipment. Staff noted that there were many issues addressed in the SOP and that component accounting was only one of them. Staff added that the issue on component accounting had been discussed at length during the June 2002 AcSEC meeting; however, because there was no agreement among the members on this issue, it is scheduled to be discussed again at its July 2002 meeting. The Chairman noted that it was not known what would come out in that particular SOP. However, if need be, FASAB could adapt to it.

- National Defense PP&E – Draft Statement

Staff referred the Board members to the draft proposed Statement, *Eliminating the Category National Defense Property, Plant, and Equipment*, in Tab D of their binders. Staff explained that there were two major differences between the March 2002 ED and the draft proposed Statement. The first was that portions of paragraph 13 in the March 2002 ED were incorporated into paragraph 11 of the draft proposed Statement. A respondent had commented that an agency and its auditor may interpret those terms in a materially different manner, which could lead to a qualified opinion. No Board members objected to this change.

The second major difference dealt with the Basis for Conclusions (BfC). Staff explained that the proposed BfC distributed to the Board at this meeting included the "Background", "Proposed Standards", and "Exclusion of Special Disclosures" sections from the March 2002 ED's BfC. Staff added that a Board member suggested these sections be incorporated into the BfC because they include important information that would help the reader understand how the Board got to the standards in the final statement, and what might be expected from the Board in the future. There were no objections to adding these sections.

The Chairman asked if he could take the silence to mean that the Board members were satisfied with the Statement. One Board member objected and presented the following suggestions and concerns:

- 1) Suggested that the 4 questions presented in the Executive Summary of the March 2002 ED be incorporated into the Executive Summary of the Statement. Other Board members did not voice support for this suggestion.
- 2) Suggested that paragraphs 10, 11, and 13 of SFFAS No. 11 be retained (Paragraphs 10 and 11 dealt with **Government Property in the Possession of Contractors**; and, paragraph 13 dealt with **Other Items Excluded** from the definition of ND PP&E). A Board member commented that retaining these paragraphs would be gratuitous. Other Board members did not voice support for this suggestion.
- 3) Noted he had editorial changes for paragraph 12 and would provide them to staff.
- 4) Suggested that additional guidance be added in paragraph 16 for cleanup cost liabilities. Staff explained that adding additional paragraphs from SFFAS No. 6 was previously discussed by the Board and rejected. However, footnote 5 provides a brief explanation about adjusting the cleanup cost liability and points the user to SFFAS No. 6. Other Board members did not voice support for this suggestion.
- 5) Suggested that a portion of a sentence (i.e., under generally accepted accounting principles and in meeting the operating performance objective for general PP&E, as embodied in SFFAS No. 6 (September 2001 ED, paragraphs 73-76)) in paragraph 32 be deleted because the standard itself is GAAP. Board members agreed to delete the portion of the sentence.
- 6) Suggested that a sentence (i.e., From that perspective, depreciation can be seen to represent expected loss through use, impairment and deferred maintenance to represent unexpected loss, and condition to represent the composite result of all three.) in paragraph 33 be deleted because depreciation is an allocation of cost and not a cost through use of the asset. Board members agreed to delete the sentence.
- 7) Suggested that the phrase –based on budgetary measurement- in paragraph 36. d. be deleted for the purpose of clarity because “budgetary measurement” was neither described nor explained in the document. Board members agreed to delete the phrase.
- 8) Noted disappointment that respondents’ concerns were not adequately addressed. The Chairman explained that he believed the concerns they raised were implementation issues; and, trying to single out implementation issues for additional guidance in advance would be difficult. At a minimum, the Board member believed composite depreciation and the cost elements of research, development, testing and evaluation (RDT&E) should be addressed. It was agreed that staff would specifically address the respondents’ concerns related to composite depreciation and the capitalization costs of RDT&E within the Valuation and Consumption section of the BfC.

The Chairman asked Staff to make the agreed upon changes and to bring the revised Statement back the following morning for review and discussion.

- **Intra-Departmental Inter- Entity Cost Interpretation**

Staff explained that, as presented at the April Board meeting, FASAB had been asked whether a component (of a department or larger reporting entity) is prohibited by paragraph 110 of SFFAS No. 4 from recognizing imputed intra-departmental inter-entity costs. Intra-departmental costs are considered the costs of goods and services provided by other components or responsibility segments within the department or larger reporting entity, with or without reimbursement. Staff further explained that based on the discussion at the last meeting, the Board wanted to address the question in a manner that would be consistent with full costing, but requested staff to gather more information on the current practices as well as draft a proposed interpretation on the issue.

Staff then summarized actions since the April Board meeting:

- Staff developed a pilot survey questionnaire and drafted a proposed interpretation and sent it to the AAPC Inter-entity Task Force members as a 'pilot' to obtain initial information about current practices related to the accounting for intra-departmental costs as well as to obtain initial feedback on the staff proposed draft interpretation. A copy of the memorandum, questionnaire, and staff draft proposed interpretation as sent to the task force was included in the Board binder material for reference.
- The responses from the pilot questionnaire were consolidated into a summary and analyzed to determine key points from the respondents, which was also provided in the Board's binders.
- A proposed Questionnaire on Intra-departmental Inter-entity Costs for distribution to the Chief Financial Officers and Inspector Generals of the major 24 executive departments and agencies (CFO Act agencies) was finalized for the Board's review and approval. Staff explained that the final proposed questionnaire, which was also included in the Board's binder materials, had been condensed or streamlined when compared to the pilot questionnaire as certain questions were deleted and/or combined.
- A staff draft proposed interpretation was prepared and included in the binder material for comment. The staff draft proposed interpretation provides a distinction between intra-departmental inter-entity costs and inter-departmental inter-entity costs. Specifically, the proposed draft Interpretation explains that the limitation on recognition of inter-entity costs in paragraph 110 is directed at inter-departmental costs, although SFFAS No. 4 does not use that term. The proposed interpretation indicates that reporting entities should account for intra-departmental costs in accordance with the other provisions of SFFAS No. 4.
- Staff prepared a project plan indicating next steps or proposed actions with target milestone dates for the Board's approval.



Staff requested the Board's input on the plan, approval of the questionnaire to send to the CFOs and IGs of the executive departments, and any comments on the draft proposed interpretation that the Board may have at this time. The Board's comments included the following:

- One Board member suggested that the project plan may be a bit optimistic and may not allow sufficient time. He explained that the CFOs and IGs should be provided more than two weeks to respond. He also suggested that staff gauge the plan to provide a detailed discussion of the responses received and the proposed interpretation at the next Board meeting. He explained that having this type of discussion at the August meeting would be helpful considering there will be three new Board members at that meeting that would ultimately be required to vote on the interpretation. The Board did not have any other comments on the plan.
- One Board member stated that he had sent comments on the questionnaire to the staff. Staff pointed out that question 5 had been changed to remove the four part question, as included in the binder, to one question which she read to the Board—*"The proposed Draft Interpretation under consideration by the Board explains...Do you foresee any potential implementation issues with this interpretation? If so, please describe."* Staff explained that the change addressed the Board member's comment that the question, as previously worded, may have been a bit vague and speculative. The Board did not have any other comments on the questionnaire.
- The Chairman pointed out that based on his read, the interpretation appeared to be thorough. He also confirmed that interpretation is not actually requiring any new standard or practice, it is providing a clarification of the Board's intent with regard to paragraph 110 of SFFAS No.4. Board members agreed with Chairman's comments and stated that they did not have any comments at this time.

In concluding the agenda item, it was agreed the project plan would be revised to allow more time for responses and analysis. Staff will revise the project plan with the intent of a detailed discussion of the responses at the August Board meeting and finalizing an exposure draft by October. It was also agreed that staff would finalize the questionnaire, with the discussed change, and then distribute it to the executive department CFOs and IGs.

## ***Wednesday, June 19, 2002***

### **Agenda Topics**

- **Stewardship Responsibilities**

The Board reviewed comments received on the exposure draft *Reclassifying Stewardship Responsibilities and Eliminating the Current Services Assessment*. The

Board noted that it did not want to make substantive decisions on the project at this time because three new members will soon join the Board. Staff noted that some comments supported retention of the RSSI category, though the exposure draft did not include a question about this, because it had been the focus of Preliminary Views. The Board briefly discussed the history of the concept of RSSI and attempts to implement it.

Staff noted that most comments did not object to the proposed reclassification of “risk assumed” as RSI. One commenter suggested that SFFAS 5’s provisions regarding “risk assumed” were vague and did not clearly require the information. The same person indicated that he had not seen examples of “risk assumed” disclosures. Staff observed that (1) FASAB did not have an inventory of programs to which the disclosure was intended to apply, (2) to some extent SFFAS 15’s provisions regarding forward-looking information covered similar ground, (the MD&A for at least some insurance programs such as PBGC and FDIC has included some kind of risk assumed information, and (4) most federal insurance (including the examples cited) is provided by government corporations, which follow FASB standards.

Staff noted that most comments regarding the “current services assessment” (CSA) did not object to the proposed reclassification of “risk assumed” and subsequent elimination of the CSA requirement. Some commenters suggested that it be eliminated immediately. Some Board members expressed sympathy with that idea, given the Board’s decision that the information was not essential to fair presentation. A member observed that the financial report could refer readers to other sources for similar projections. The Board agreed to consider whether to eliminate the requirement for FY 2003.

One commenter indicated that he had originally opposed requiring the CSA, but subsequent experience had convinced him that it is a useful disclosure. He suggested reporting OMB’s “mid year” CSA update as RSI. (Staff suggested that if this approach were adopted, the report should explain the source and note that the next President’s Budget would provide updated figures.) A Board member noted that the CSA is prepared on a different basis (functional) than the Statement of Net Cost is now presented (by agency). One agency, DOD, had a \$300 billion increase in benefits due to plan amendments. Under the functional presentation, one would not have known the cost was associated with DOD. Another member noted that the CSA picks up social insurance payments that we don’t accrue, and the CSA was intended to help address the objectives of federal financial reporting by reporting on the ability to meet obligations and provide services in the future. (OMB staff explained that the Budget can and does present information from a variety of perspectives to support a variety of analyses.)

Staff noted that comments regarding reclassifying social insurance were mixed. AICPA, for example, called for recognition of a liability, but also opposed reclassifying all social insurance information as an integral part of the basic financial statements. Staff mentioned some ancillary questions, including:

- Whether all social insurance information should be classified the same way,

- Whether the Board should consider what would be the mechanism for providing audit guidance and the time required to do so,
- Whether the Board should require an explanation of why the actuarial SI obligation is not recognized (as was suggested by one commenter). A member said that the Basis for Conclusions to SFFAS 17 contains a good explanation.
- Whether there would be reporting model implications of adding a Statement of Social Insurance (SOSI) as new basic financial statement. A Board member said he would prefer that the SOSI information be presented in a note rather than as another basic financial statement.

**Action Items:** The Board concluded that a public hearing would not be useful to current members. The Board discussed the possibility of meeting with representatives of AICPA and perhaps other organizations to discuss specific matters of interest. Staff was asked to consider ways to meet the new FASAB members' need for background information about the history of RSSI as well as the specific items of stewardship responsibilities. The Board will continue its deliberations on this proposed statement of standards at a future meeting.

- **National Defense PP&E**

Staff distributed a revised Statement to the Board members and their staff based on agreed upon changes to be made during the June 18, 2002 session. Specifically, the following changes were made:

- 1) Page i, paragraph II., "the cost of " was inserted in 2 places.
- 2) Pages 2 and 3, paragraphs 3.e. and 6., the tense of verbs was corrected.
- 3) Page 5, paragraph 8., "and implementation guidance" was inserted and in paragraph 9., sub-paragraphs e. and f. were combined.
- 4) Page 6, paragraphs 12. and 13., revised text was reviewed by the Board. One Board member was concerned that the revision could be interpreted as being more restrictive. That is, allowing only items listed in the 2 paragraphs as acceptable documentation for estimating historical cost. Another Board member noted that paragraph 14 could be interpreted to allow the 2 methods identified in paragraphs 12. and 13. as the only acceptable methods for estimating historical cost. It was agreed that "but not limited to" be inserted following the words "... such as" in the second sentence of paragraph 12. and to delete paragraph 14.
- 5) Page 9, paragraph 21., the titles of the ED and Statements were italicized.

- 6) Page 10, paragraph 24., “stewardship” was inserted in the last sentence of the paragraph.
- 7) Page 11, paragraph 25., “majority of the” was inserted following “Specifically, for ND PP&E the”.
- 8) Page 12, paragraph 28., “suggestions” was substituted for “proposals” and “the previous” was inserted in the last sentence of the paragraph.
- 9) Page 13, paragraph 32., a portion of a sentence was deleted (i.e., under generally accepted accounting principles and in meeting the operating performance objective for general PP&E, as embodied in SFFAS No. 6(September 2001 ED, paragraphs 73-7).
- 10)Page 14, paragraph 33., a sentence was deleted (i.e., From that perspective, depreciation can be seen to represent expected loss through use, impairment and deferred maintenance to represent unexpected loss, and condition to represent the composite result of all three.)
- 11) Page 16, paragraph 36.d., deleted the phrase “based on budgetary measurement”.
- 12) Page 18, paragraph 42., after reviewing staff’s proposed revisions to paragraph 42, the Board agreed that “For example” in the third sentence and the last sentence of the paragraph be deleted.
- 13) Pages 18 and 19, paragraph 43., after reviewing staff’s proposed revisions, the Board agreed to combine the third and fourth sentence of the paragraph; delete the acronym “RDT&E”; delete the phrases “under development will require judgment and sound policy” and “But the decision”; and to add SFFAS No. 4. In addition, the Board agreed to modify the last sentence to read “....resolve issues” in place of “...resolve an issue through accounting policy”.

One Board member noted he would dissent from this standard because he believes (1) more guidance on asset capitalization and use of composite or group depreciation methods is needed and (2) additional disclosures are important to meeting reporting objectives for National Defense PP&E. He indicated that he planned to have his letter of dissent prepared tomorrow, June 20, 2002.

The Chairman asked staff to make the changes in the Statement that the Board members agreed to as quickly as possible so the Board members could have the final version of the Statement before the Board meeting adjourned at noon.

Staff returned to the meeting before the adjournment and distributed a revised Statement containing the changes agreed upon by Board members and listed above. In the revised Statement, paragraphs 12, 42, and 43 were revised and paragraph 14 was removed. Before the meeting was adjourned, a sufficient number of ballots approving issuance of the Statement were received from Board members.

**Action Item:** The dissent will be provided to all members for their consideration prior to being incorporated in the Basis for Conclusions. The final statement would then be (1) forwarded to the Principals for a 90 day review as required by the Memorandum of Understanding and (2) submitted to the Congress for a 45 day review as required by the CFO Act (section 307). The statement will be issued when each of these reviews is completed satisfactorily.

- **National Defense PP&E Implementation**

Mr. Steve Tabone, Deputy Director for PP&E Policy, OUSD (AT&L); Department of Defense, presented a briefing on DoD's implementation strategy for accounting and reporting on military equipment. He distributed a handout pertaining to his briefing to the Board members and attendees at the meeting.

Mr. Tabone commented that Mr. Dov Zakheim, the Under Secretary of Defense (Comptroller) and Chief Financial Officer for DoD, is very pleased with the outcome of the proposed Statement, including its effective date, and is committed to implementing the standards. He explained that the DoD is currently developing a Financial Management Enterprise Architecture and that the financial management modernization program is part of it.

The areas Mr. Tabone's addressed during his briefing were:

- Implementation Objectives. These include developing a standard approach and methodologies; keeping DoD components informed and involved; keeping implementation as simple as possible and consistent with DoD information needs; automating processes to avoid data calls; establishing strong internal controls; and, developing comprehensive training.
- Implementation Tasks. These include modifying or developing business rules and policies; modifying or developing processes and controls; developing valuation methodologies and valuing existing military equipment and in-process acquisition programs; and, determining acquisition, logistics, property, and financial systems requirements and modifying or acquiring systems as part of the DoD Financial Management Enterprise Architecture.
- "Early" Implementation. The DoD Comptroller of had directed that the proposed Statement be implemented this fiscal year (FY), 2002. As a result, DoD will report three "pilot" programs in the FY 2002 financial statement. They will be the F-15, DDG-51, and Paladin programs. The pilot programs are expected to serve as a means to: identify policy, process, procedure, and system issues and requirements; and, to get the Department engaged and moving.
- Implementation Strategy. The time-line for full implementation is from the 4th quarter of FY 2002 through FY 2007.
- Critical Policy Issues. Examples of critical policy issues, which are to be coordinated with the audit community, include categorization and classification of equipment; owner vs. user (who reports the assets), full cost; capitalization thresholds; useful lives; bulk purchases; modifications and upgrades; composite and group depreciation; and work-in-process.
- Critical Process Issues. Examples of critical process issues include acquisition—identification of new capitalizable assets and modifications or upgrades to existing assets;

procurement—contract development and modifications; contractor progress payment invoicing; delivery of assets; contract closeouts; property in the possession of contractors; and, assets taken out of service and disposals.

- Next Steps. The next steps include establishing a senior level Advisory Group and integrated product teams (IPTs); and, kicking off the implementation with the IBM contractor team which was awarded the contract for the Financial Management Enterprise Architecture.

One Board member noted that the DoD has been briefing OMB representatives on this project and, generally, the DoD has been meeting its planned milestone dates.

Mr. Tabone thanked the Board for allowing him to brief the Board. He explained that he would like to come back in the future not only to discuss issues, but also to keep the Board informed on the status of DoD's project and progress it has made.

## **Adjournment**

### **Steering Committee Meeting**

Attendance: Chairman Mosso, Messrs: Calder, Kull and Reid, FASAB Counsel Jacobson and FASAB Executive Director Comes.

The Steering Committee received an update on the new member appointments. The appointments were moving as expected and final action is anticipated in mid-July.

It was noted that Chairman Mosso had been invited to the upcoming Principals meeting (September 10<sup>th</sup> at 1:00 PM). He will be discussing the FASAB's agenda.

The members reviewed draft statement of work for preparing Volume II of the FASAB Codification – a volume of standards organized by subject matter. The members believed that too much effort was built in for quality review and suggested that the final statement of work limit quality review. The draft will be revised and staff will proceed with obtaining bids.

The budget for FY 2003 and 2004 was provided and discussed. GAO and Treasury would not have any difficulty meeting the FASAB budget but OMB anticipates difficulty in meeting the full amount requested to accommodate new members and associated travel while maintaining current staff support levels. However, the OMB member believes that increases associated with the new members are warranted and OMB would be able to cover its share of these costs. The budget will be resubmitted to the Steering Committee at the August 2002 meeting and another update obtained.